

CITY OF LA PORTE CITY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

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City of La Porte City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Lubben	Mayor	Jan 2010
Jeff Krop	Council Member	Jan 2008
Cliff McFarland	Council Member	Jan 2008
Kathy Norris	Council Member	Jan 2008
Kyle Jensson	Council Member	Jan 2010
April Neuman	Council Member	Jan 2010
Julie Petersen	Clerk	
Jeffrey Larison	Treasurer	
Robert Braun	Attorney	

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of La Porte City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated November 13, 2007 on our consideration of the City of La Porte City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the

financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

November 13, 2007

CITY OF LA PORTE CITY

202 Main Street, La Porte City, Iowa 50651
Phone: (319) 342-3396
Fax: (319) 342-3770

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. It is to be used in conjunction with the City's Annual Report and is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis

- introduces the basic financial statements and provides an analytical overview of the City's financial activities

Government-wide Financial Statement

- consists of a Statement of Activities and Net Assets
- provides information about the activities of the City as a whole and presents an overall view of the City's finances

Fund Financial Statements

- tells how governmental services were financed in the short term as well as what remains for future spending
- report the City's operations in more detail than the government-wide statement by providing information about the most significant funds

Notes to Financial Statements

- provide additional information essential to a full understanding of the data provided in the basic financial statements

Required Supplementary Information

- further explains and supports the financial statements with a comparison of the City's budget for the year

Other Supplementary Information

- provides detailed information about the non-major governmental funds

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting is a basis other than generally accepted accounting principals, and does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statements:

To aid in the understanding of the Statement of Activities, some additional explanation is needed. All receipts and disbursements are categorized as either governmental activities or business-type activities. **Governmental Activities** are financed primarily by property tax, local option sales tax, road use tax and state and federal grants. They are defined as follows:

Public Safety – includes police operations, fire protection, ambulance service, building inspections and animal control services

Public Works – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

Health and Social Services – includes welfare assistance

Culture and Recreation – includes library services, parks, recreation, pool, community center and museum

Community and Economic Development – includes economic development, housing rehab, and tax increment financing

General Government – includes mayor, city council, city clerk, city treasurer, legal services, and city hall administrative and building needs

Debt Service – includes principal and interest payments for debt repayment

Capital Projects – major projects including street and infrastructure improvements, the family aquatic center, and a new housing development known as the Sweet Subdivision

Business Type Activities include the ambulance service and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements:

The City has two kinds of funds:

Governmental funds account for most of the City's basic services and include the General Fund, the Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, the Equipment Replacement Fund, and the Trust Funds. The Governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

Proprietary funds are also known as Business-Type funds. When the City charges customers for the services it provides, these services are generally reported as Proprietary funds. These funds, which include Ambulance and Sewer services, are generally self-sufficient. The required financial statements for Proprietary Funds include a statement of cash receipts, disbursements and changes in cash balances.

Basic Financial Statements

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

- **Statement of Activities and Net Assets – Cash Basis (Exhibit A)**

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Expense) or Revenue, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax*, *Local Option Sales Tax* and *Unrestricted Interest*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net assets end of year as \$2,427,950, compared to net assets beginning of the year of \$1,987,842, or an increase of \$440,108. Of this amount, \$350,410 represents bond funds and interest earnings for the Sweet Subdivision that will not be disbursed until FY 2008.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)**

The City maintains ten funds under the “Governmental” classification. The column titled *General* includes activity in the General and the Economic Development funds. The column titled *Other Nonmajor Governmental Funds* includes activity for the Road Use Tax Fund, the Trust I (Employee Benefits) Fund, the TIF Fund, the Low to Moderate Income Fund (required for the Piphoo Development TIF Project), and the Trust II Fund (established to track memorials, bequests, and contributions). More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds (Exhibit C)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit B.

- **Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Fund (Exhibit D)**

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The two proprietary funds for the City are the Ambulance and the Sewer Funds.

- **Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds (Exhibit E)**

This reconciles any differences in the Cash Ending Balances or Net Change in Cash from Exhibit A and Exhibit D.

Budgetary Highlights

Over the course of the fiscal year the City amended its budget only one time. The amendment was approved on April 23, 2007 and provided for additional disbursements in City departments. Professional and construction fees related to the development of the Sweet Subdivision under the Capital Projects Program had the highest dollar impact on this amendment. The City had sufficient cash balances to absorb these additional costs.

2007 Financial Highlights

- Revenues (not including transfers in) decreased \$542,805, or 13%, from Fiscal Year 2006 to 2007. This decrease is attributable in part to bond proceeds totaling \$920,000 received in 2007, compared to bond proceeds of \$2,080,000 in 2006. Property taxes collected increased \$217,510 in FY 2007, which included an increase of \$92,256 in TIF taxes.
- From FY 2006 to FY 2007 disbursements (not including transfers out) decreased overall by 23%, or \$935,079. The biggest change was seen in the Capital Projects Program, which decreased \$1,348,375. A contributing factor was the substantial completion of the Family Aquatic Center in FY 2007.
- The City's total cash basis net assets increased approximately 22%, or \$440,108 from June 30, 2006 to June 30, 2007. Of this amount the assets of governmental activities increased \$544,836, with \$326,264 of that increase coming from bond funds received but not yet disbursed in the Capital Projects Fund. The assets of the business type activities decreased \$104,728, primarily due to the use of Sewer reserves for capital improvements. The Funds Not Required to be Budgeted also decreased \$11,189. This total represents interest, contributions, and payments from the Trust II Fund, and includes a disbursement of \$21,840 for purchase and installation of an elevator at the LPC Historical and FFA Ag Museum.

Debt Administration

As of June 30, 2007, the City had \$3,720,000 in debt outstanding compared to \$3,100,000 in 2006. The increase results from a \$920,000 general obligation bond issue in October of 2006.

Outstanding Debt at Year End

	June 30,	
	2007	2006
General obligation capital loan notes (FY07)	\$ 850,000	0
General obligation capital loan notes (FY06)	\$1,970,000	2,080,000
General obligation capital loan notes (FY05)	\$ 480,000	540,000
General obligation capital loan notes (FY03)	\$ 420,000	480,000
Total	<u>\$3,720,000</u>	<u>3,100,000</u>

The General Obligation Notes FY07 were issued for design and construction of a new 30-lot residential development known as the Sweet Subdivision. The General Obligation Notes FY06 were issued for the demolition of the existing city pool and construction of the new Family

Aquatic Center. The General Obligation Notes FY05 were issued for the 2004 street rehabilitation, railroad crossing and Tama Road projects. The General Obligation Notes FY03 were issued for the 2003 street rehabilitation project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,720,000 is below its constitutional debt limit of \$4.84 million.

Tif Rebates

In 2006 the State redesigned the TIF certification process. House File 2777 mandates that once TIF indebtedness is certified to the County Auditor, the County Auditor shall provide for TIF increment taxes in subsequent years without further certification, until the amount certified is paid to the municipality. This allows the City to either submit a one-time certification for the total amount to be collected in a TIF district over the life of an agreement, or to certify annually a specific amount to be collected from a TIF district. The City certified TIF debt for three projects in Fiscal Year 06-07, to be collected in Fiscal Year 07-08:

Don & Marian Collins (\$4,272) – the City loaned funds to the Collins' for fire safety improvements in the upper level of their commercial building. The property taxes generated from the improved value of this property will be applied towards their annual loan payment. The dollar amount certified represents the total of the four remaining annual payments. (**Update – this property was sold in April 2007 and the outstanding loan balance due to the City has been paid in full. **)

Greg & Donna Pipho (\$200,000) – for Sunset Knolls Ninth Addition, the City agreed to pay to the Pipho's property taxes generated from the 13 lots in this housing division. This is the fifth of ten years for this certification. The dollar amount certified represents the estimated total that will be paid to the Pipho's through the ten-year term of their development agreement, plus the state-required set-aside amount for improvements in low to moderate income areas of the City.

Family Aquatic Center (\$106,000) – when approving the issuance of debt for the new aquatic center, the City Council approved using a combination of TIF funds and a debt service levy to make the annual payments on the bonds. This is the second of fifteen years for this certification.

Sweet Subdivision – since no incremental taxes are anticipated in fiscal year 2009, and because there is a 10-year limit on TIF certifications for residential development, the City will not certify any taxes for this area until construction of new homes begins. We will closely monitor the construction activity to determine at what point in the future new property taxes will be available in this TIF district.

Economic Factors And Next Year's Budgets

The City of La Porte City's elected and appointed officials and department heads considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for various City activities.

Department heads were encouraged to keep expenses in line with the 06-07 fiscal year. Although property tax valuations increased, the cost associated with providing City services including health insurance, liability insurance and workers compensation insurance also increased.

The City Council continued to support capital planning initiatives and approved reserving \$80,000 for future equipment and improvements.

The City anticipates completion of the Sweet Subdivision in the spring of 2008. Sewer fund reserves, revenue from lot sales and new property taxes will be used to pay off the general obligation bonds issued for this project. No new debt is expected to be issued in fiscal year 09.

The La Porte City Economic Development Commission was formalized in 2007. One of the Commission's goals is to develop and market financial incentive packages for both new and existing businesses, and this will be reflected in future budgets for Economic Development.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Petersen, City Clerk, 202 Main Street, La Porte City, Iowa.

City of La Porte City
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 420,893	22,455	65,346	-
Public works	502,495	140,764	202,543	-
Health and social services	5,044	-	-	-
Culture and recreation	318,361	64,079	39,630	-
Community and economic development	236,803	-	14,100	222,394
General government	122,229	73	96,916	-
Debt service	439,923	-	3,452	-
Capital projects	867,407	-	-	244,639
Total governmental activities	2,913,155	227,371	421,987	467,033
Business type activities:				
Sewer	183,694	211,938	-	-
Ambulance	90,287	93,501	15,548	-
Total business type activities	273,981	305,439	15,548	-
Total	\$ 3,187,136	532,810	437,535	467,033
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Equipment Replacement				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

City of La Porte City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Revenue Equipment Replacement	Debt Service	Capital Projects
Receipts:				
Property tax	\$ 430,219	-	240,021	-
Other city tax	247,187	-	-	-
Licenses and permits	17,658	-	-	-
Use of money and property	39,916	18,107	3,452	32,978
Intergovernmental	103,707	35,536	-	-
Charges for service	227,371	-	-	-
Miscellaneous	259,574	1,857	-	244,639
Total receipts	1,325,632	55,500	243,473	277,617
Disbursements:				
Operating:				
Public safety	386,559	-	-	-
Public works	252,185	-	-	-
Health and social services	5,044	-	-	-
Culture and recreation	305,360	-	-	-
Community and economic development	215,657	-	-	-
General government	115,943	-	-	-
Debt service	-	-	439,923	-
Capital projects	-	-	-	867,407
Total disbursements	1,280,748	-	439,923	867,407
Excess of receipts over disbursements	44,884	55,500	(196,450)	(589,790)
Other financing sources (uses):				
Bond proceeds	-	-	921,663	-
Operating transfers in	246,594	80,558	205,431	1,021,663
Operating transfers out	(190,559)	(7,731)	(921,663)	(105,610)
Total other financing sources (uses)	56,035	72,827	205,431	916,053
Net change in cash balances	100,919	128,327	8,981	326,263
Cash balances beginning of year	559,460	329,112	23,551	239,758
Cash balances end of year	\$ 660,379	457,439	32,532	566,021
Cash Basis Fund Balances				
Reserved:				
Debt service	-	-	-	-
Capital projects	-	-	-	566,021
Unreserved:				
General fund	660,379	-	-	-
Special revenue funds	-	457,439	32,532	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 660,379	457,439	32,532	566,021

See notes to financial statements

Other Nonmajor Governmental Funds	Total
217,374	887,614
-	247,187
-	17,658
11,066	105,519
195,843	335,086
-	227,371
36,150	542,220
460,433	2,362,655
34,334	420,893
250,310	502,495
-	5,044
13,001	318,361
21,146	236,803
6,286	122,229
-	439,923
-	867,407
325,077	2,913,155
135,356	(550,500)
-	921,663
12,634	1,566,880
(167,644)	(1,393,207)
(155,010)	1,095,336
(19,654)	544,836
352,769	1,504,650
333,115	2,049,486
-	-
-	566,021
-	660,379
200,400	690,371
132,715	132,715
333,115	2,049,486

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 16)	\$2,049,486
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Cash basis net assets of governmental activities (page 14)	<u><u>\$2,049,486</u></u>
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Net change in cash balances (page 16)	\$ 544,836
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Change in cash balance of governmental activities (page 14)	<u><u>\$ 544,836</u></u>
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See notes to financial statements

City of La Porte City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Sewer	Ambulance	Total
Operating receipts:			
Use of money and property	\$ 17,652	1,742	19,394
Intergovernmental	-	3,318	3,318
Charges for service	211,938	90,183	302,121
Miscellaneous	-	18,093	18,093
Total operating receipts	229,590	113,336	342,926
Operating disbursements:			
Business type activities	183,694	90,287	273,981
Total operating disbursements	183,694	90,287	273,981
Excess (deficiency) of operating receipts over (under) operating disbursements	45,896	23,049	68,945
Operating transfers in (out)	(153,673)	(20,000)	(173,673)
Net change in cash balances	(107,777)	3,049	(104,728)
Cash balances beginning of year	436,010	47,182	483,192
Cash balances end of year	\$ 328,233	50,231	378,464
Cash Basis Fund Balances			
Unreserved	328,233	50,231	378,464
Total cash basis fund balances	\$ 328,233	50,231	378,464

See notes to financial statements

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Fund

As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 18)	\$ 378,464
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Cash basis net assets of business type activities (page 14)	<u>\$ 378,464</u>
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Net change in cash balances (page 18)	\$ (104,728)
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Change in cash balance of business type activities (page 14)	<u>\$ (104,728)</u>
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See notes to financial statements

City of La Porte City

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer and garbage utilities for its citizens, as well as ambulance services.

A. Reporting Entity

For financial reporting purposes, the City of La Porte City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements present the City of La Porte City (the primary government) and excludes all component units. A component unit is an entity which is legally separate from the City, but is so intertwined with the City that they are, in substance, part of the City. However, the financial transactions of this component unit has not been displayed because they are not material or use a different basis of accounting.

The La Porte City Utilities, a component unit of the city, is established under Chapter 388 of the Code of Iowa. The La Porte City Utilities is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a three member board appointed by the Mayor and approved by the City Council. La Porte City Utilities is a public utility providing electrical service to the citizens of La Porte City. Complete financial statements can be obtained from the Utility's administrative office.

City of La Porte City

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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The La Porte City Utilities, a component unit of the city, is established under Chapter 388 of the Code of Iowa. The La Porte City Utilities is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a three member board appointed by the Mayor and approved by the City Council. La Porte City Utilities is a public utility providing electrical service to the citizens of La Porte City. Complete financial statements can be obtained from the Utility's administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: City of Waterloo Building Department, Townships of the following: Big Creek, Spring Creek, Eagle Poyner, and Cedar in Black Hawk County, Bruce and Cedar in Benton County, Tri-County Drug Task Force, Northeast Iowa Response Group, Mutual Aid Fire – Buchanan County, Digital Data – Black Hawk County, Criminal Justice Info System, Black Hawk Consolidated Public Safety Communications Agreement, Mutual Aid Fire – Black Hawk County, Union Community School District – Tennis Courts, Use of Buses, and Use of Swimming Pool, Mutual Aid Fire – City of Waterloo, and Mutual Aid Fire – Covenant Health System.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue – Equipment Replacement Fund is utilized as a savings fund for large equipment purchases for each department.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for major ongoing capital projects of the city.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Ambulance Fund accounts for the operations and user fees for Ambulatory services provided by the City.

C. Measurement Focus and Basis of Accounting

The City of La Porte City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper;

perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2007 are as follows:

Type	Carrying Amount	Fair Value	Maturity
Certificates of Deposit	\$ 994,098	\$ 994,098	Various Dates

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$943,046 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2008	\$ 300,000	140,300
2009	310,000	130,155
2010	325,000	119,245
2011	335,000	107,505
2012	350,000	95,153
2013-2021	2,100,000	368,195
Total	\$ 3,720,000	960,553

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

During the year the Council approved an interfund loan from the Sewer Fund to the Economic Development Fund for \$90,000. As of June 30, 2007, the balance of the loan remaining to be paid is \$45,000.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.08 and 9.12, respectively. For 2005 and 2006, the rates for police employees were 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions

to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$33,469, \$32,131, and \$31,319, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 1,811
Sick leave	<u>49,473</u>
Total	<u>\$ 51,284</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Permanent	\$44,357
	Special Revenue	
	Equipment Replacement	7,731
	Capital Projects	100,000
Economic Development	Sewer	90,000
	Special Revenue	
	Low to Moderate Income	4,505
Special Revenue		
Equipment Replacement	General	80,559
Employee Benefits	General	2,000
Low to Moderate Income	Special Revenue	
	Tax Increment Financing	12,634
Debt Service	Special Revenue	
	Tax Increment Financing	106,148
	Capital Projects	5,610
	Sewer	93,673
Capital Projects	Debt Service	921,663
	General	100,000
Sewer	Economic Development	45,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$878 during the year ended June 30, 2007.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Litigation

The City is not subject to any pending litigation.

Required Supplementary Information

City of La Porte City

Budgetary Comparison Schedule
of Receipts, disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 743,232	-	-
Tax increment financing collections	144,382	-	-
Other city tax	247,187	-	-
Licenses and permits	17,658	-	-
Use of money and property	105,519	19,394	8,262
Intergovernmental	335,086	3,318	2,400
Charges for service	227,371	302,121	-
Miscellaneous	542,220	18,093	25,096
Total receipts	2,362,655	342,926	35,758
Disbursements:			
Public safety	420,893	-	1,722
Public works	502,495	-	-
Health and social services	5,044	-	-
Culture and recreation	318,361	-	-
Community and economic development	236,803	-	868
General government	122,229	-	-
Debt service	439,923	-	-
Capital projects	867,407	-	-
Business type activities	-	273,981	-
Total disbursements	2,913,155	273,981	2,590
Excess of receipts over disbursements	(550,500)	68,945	33,168
Other financing sources (uses), net	1,095,336	(173,673)	(44,357)
Excess of receipts and other financing sources over disbursements and other financing uses	544,836	(104,728)	(11,189)
Balances beginning of year	1,504,650	483,192	143,904
Balances end of year	\$ 2,049,486	378,464	132,715

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
743,232	734,305	734,305	8,927
144,382	151,068	151,068	(6,686)
247,187	254,481	254,481	(7,294)
17,658	18,975	18,975	(1,317)
116,651	45,025	78,025	38,626
336,004	735,041	1,114,404	(778,400)
529,492	488,225	496,225	33,267
535,217	20,370	65,870	469,347
2,669,823	2,447,490	2,913,353	(243,530)
419,171	469,972	630,186	211,015
502,495	448,375	566,275	63,780
5,044	4,894	5,594	550
318,361	274,167	363,179	44,818
235,935	430,108	434,558	198,623
122,229	107,287	125,387	3,158
439,923	346,351	440,126	203
867,407	130,000	1,191,000	323,593
273,981	278,730	314,465	40,484
3,184,546	2,489,884	4,070,770	886,224
(514,723)	(42,394)	(1,157,417)	642,694
877,306	-	921,663	(44,357)
362,583	(42,394)	(235,754)	598,337
1,843,938	1,956,104	1,987,843	(143,905)
2,206,521	1,913,710	1,752,089	454,432

City of La Porte City

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$2,606,634 and budgeted disbursements by \$1,580,886. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of La Porte City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue			
	Road Use Tax	TIF	Employee Benefits	Low to Moderate Income
Receipts:				
Property tax	\$ -	144,382	72,992	-
Use of money and property	-	2,118	-	686
Intergovernmental	193,443	-	-	-
Miscellaneous	-	5,351	5,703	-
Total receipts	193,443	151,851	78,695	686
Disbursements:				
Operating:				
Public safety	-	-	32,612	-
Public works	230,525	-	19,785	-
Culture and recreation	-	-	12,133	-
Community and economic development	-	21,146	-	-
General government	-	-	6,286	-
Debt service	-	-	-	-
Total disbursements	230,525	21,146	70,816	-
Excess (deficiency) of receipts over (under) disbursements	(37,082)	130,705	7,879	686
Other financing sources:				
Operating transfers in (out)	-	(118,782)	-	8,129
Net change in cash balances	(37,082)	11,923	7,879	8,815
Cash balances beginning of year	176,861	8,597	1,281	22,126
Cash balances end of year	\$ 139,779	20,520	9,160	30,941
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	139,779	20,520	9,160	30,941
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 139,779	20,520	9,160	30,941

See accompanying independent auditor's report

Schedule 1

<u>Permanent</u>	
<u>Trust Funds</u>	<u>Total</u>
-	217,374
8,262	11,066
2,400	195,843
25,096	36,150
35,758	460,433
1,722	34,334
-	250,310
868	13,001
-	21,146
-	6,286
-	-
2,590	325,077
33,168	135,356
(44,357)	(155,010)
(11,189)	(19,654)
143,904	352,769
132,715	333,115
-	200,400
132,715	132,715
132,715	333,115

Schedule 2

City of La Porte City
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note:			
G.O. Capital Loan Note	May 6, 2003	1.60% - 3.80%	600,000
G.O. Capital Loan Note	July 1, 2004	2.95% - 4.25%	600,000
G.O. Loan Notes	December 1, 2005	3.75% - 4.10%	2,080,000
G.O. Capital Loan Notes	October 18, 2006	3.75% - 4.00%	920,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 480,000	-	60,000	420,000	15,318	-
540,000	-	60,000	480,000	19,903	-
2,080,000	-	110,000	1,970,000	79,830	-
-	920,000	70,000	850,000	23,473	-
\$3,100,000	920,000	300,000	3,720,000	138,524	-

City of La Porte City
Bond and Note Maturities
June 30, 2007

Year Ending June 30,	General Obligation Notes			
	Capital Loan Note		Capital Loan Note	
	Issued May 6, 2003		Issued July 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount
2008	2.65	\$ 65,000	3.10	60,000
2009	3.00	65,000	3.40	65,000
2010	3.25	70,000	3.60	65,000
2011	3.40	70,000	3.80	70,000
2012	3.60	75,000	4.00	70,000
2013	3.80	75,000	4.10	75,000
2014		-	4.25	75,000
2015		-		-
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
2021		-		-
Total		<u>\$ 420,000</u>		<u>480,000</u>

Year Ending June 30,	Loan Note		Capital Loan Note		Total
	Issued December 1, 2005		Issued October 18, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
2008	3.75	\$ 110,000	3.75	65,000	300,000
2009	3.75	115,000	3.75	65,000	310,000
2010	3.75	120,000	3.75	70,000	325,000
2011	3.75	125,000	3.75	70,000	335,000
2012	3.75	130,000	3.75	75,000	350,000
2013	3.75	130,000	3.75	75,000	355,000
2014	3.75	135,000	3.75	80,000	290,000
2015	3.75	140,000	3.80	80,000	220,000
2016	3.80	145,000	3.85	85,000	230,000
2017	3.85	150,000	3.90	90,000	240,000
2018	3.90	160,000	4.00	95,000	255,000
2019	3.95	165,000	4.00	-	165,000
2020	4.00	170,000		-	170,000
2021	4.10	175,000		-	175,000
		<u>\$1,970,000</u>		<u>850,000</u>	<u>3,720,000</u>

See accompanying independent auditor's report

City of La Porte City
 Schedule of Receipts by Source and Disbursements By Function
 All Governmental Funds

For the Last Five Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:					
Property tax	\$ 887,614	667,418	608,911	526,401	510,753
Other city tax	247,187	258,843	239,723	227,623	213,365
Licenses and permits	17,658	19,267	21,017	19,224	22,808
Use of money and property	105,519	70,627	26,705	14,861	23,291
Intergovernmental	335,086	307,978	336,072	1,143	330,320
Charges for service	227,371	210,834	182,840	289,921	149,374
Miscellaneous	542,220	242,964	100,810	455,952	238,481
Total	<u>2,362,655</u>	<u>1,777,931</u>	<u>1,516,078</u>	<u>1,535,125</u>	<u>1,488,392</u>
Disbursements:					
Operating:					
Public safety	420,893	422,394	454,592	526,398	453,134
Public works	502,495	509,789	378,959	853,197	190,071
Health and social services	5,044	4,994	1,869	1,869	1,819
Culture and recreation	318,361	218,355	277,229	257,489	206,124
Community and economic development	236,803	251,901	15,855	4,599	51,492
General government	122,229	107,464	107,212	109,594	183,215
Debt service	439,923	199,105	98,244	19,258	199,631
Capital projects	867,407	2,215,782	485,788	237,640	104,646
Total	<u>\$ 2,913,155</u>	<u>3,929,784</u>	<u>1,819,748</u>	<u>2,010,044</u>	<u>1,390,132</u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 13, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of La Porte City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of La Porte City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of La Porte City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of La Porte City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of La Porte City's financial statements that is more than inconsequential will not be prevented or detected by City of La Porte City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of La Porte City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07, II-B-07, and II-C-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of La Porte City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of La Porte City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of La Porte City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of La Porte City and other parties to whom City of La Porte City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of La Porte City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

November 13, 2007

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-07 Vehicle Usage Policy - The City does not maintain a formal policy regarding the use of City owned vehicles by employees.

Recommendation - The City should adopt a formal policy regarding vehicle usage.

Response - The City will consider adopting a policy.

Conclusion - Response accepted.

- II-C-07 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not retained. Also, utility collections were not reconciled to deposits.

Recommendation - A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - These procedures have been implemented as recommended.

Conclusion - Response accepted.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting:

- III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- III-B-07 Questionable Disbursements – We noted no questionable disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jeff Larison, Treasurer	Vice President of Cedar Valley Bank	N/A
Rachel Ward, Assistant Librarian, Co-owner of Ward Auto and Truck Service	Maintenance and repair of fire and rescue vehicles	\$ 651
April Neuman, Council Member, Employee of Pronto Market	Gas and Kerosene	199
Cliff McFarland, Council Member, Owner of Sunshine Floral	Holiday lights purchased	27

In accordance with Chapter 362.5(3) of the Code of Iowa, the first transaction with the City Treasurer does not appear to represent a conflict of interest since the treasurer is an employee of Cedar Valley Bank.

In accordance with Chapter 362.5(11) of the Code of Iowa, the second, third and fourth transactions do not appear to represent a conflict of interest since the amounts are for less than \$2,500.

- III-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07 Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the minutes but were not.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

There was a transfer from the Capital Projects Fund to the General Fund for \$100,000, and then a corresponding transfer back, that was not approved in the minutes.

The Council went into closed session on June 25, 2007. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as open meeting law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa when going into closed session. The City should also approve all transfers.

Response – We will comply with the Code requirements for closed sessions and approve all transfers in the future.

Conclusion – Response accepted.

- III-G-07 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-07 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.

City of La Porte City

Staff

This audit was performed by:

Donald A. Snitker, CPA, Partner
Gina E. Trimble, CPA, Senior Auditor